

Otherwise, the presumptions of the existing formula should continue to be used. Further, the Commission should reject the suggested elimination of shorter poles (30 feet or less) from the pole investment account.

Finally, to minimize the burden of unnecessary complaints, the Commission should adopt presumptions, as recommended by SBC, that a rate is not excessive when specified conditions are met.

For the reasons set forth above, the Commission should adopt improvements in the calculation of maximum pole attachment rates under Section 224 as discussed in these Comments.

Respectfully Submitted,

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June 27, 1997

EXHIBIT "A"

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the Matter of

Amendment of Rules and  
Policies Governing Pole  
Attachments

CS Docket No. 97-98

**DECLARATION OF JOHN P. LUBE**

I, John P. Lube, am Director-Capital Recovery for Southwestern Bell Telephone Company (SWBT). I have reviewed the Notice of Proposed Rulemaking (NPRM) in the above-captioned proceeding concerning pole attachment rules and have prepared the following to address the depreciation issues presented in the NPRM.

**1. Recovery of Net Salvage Through Depreciation**

1.01 In order to lay a proper foundation for a discussion of the issues relating to depreciation that are raised in the NPRM, it is important to review the intent of the Federal Communications Commission's (FCC's) depreciation rules. The depreciation rates prescribed by the FCC are based upon the straight line depreciation methodology, which simply

allows the "service value" (which is the original cost of an asset, less the estimated net salvage for the asset) to be ratably charged to expense over the estimated life of the asset. The formulas used by the FCC are as follows:

Whole Life Method:

$$\text{Rate} = \frac{\text{Original Cost (\$)} - \text{Avg Net Salv (\$)}}{\text{Service (i.e., Total) Life}} \times \frac{1}{\text{Original Cost (\$)}} \times 100\%$$

Remaining Life Method:

$$\text{Rate} = \frac{\text{Original Cost (\$)} - \text{Accum. Depr. (\$)} - \text{Fut Net Salv (\$)}}{\text{Remaining Life}} \times \frac{1}{\text{Original Cost (\$)}} \times 100\%$$

1.02 Net salvage is defined as gross salvage less cost of removal. Gross salvage is the proceeds from the sale or junking of an asset, and cost of removal is all of the cost associated with removing the asset from the company's plant. In the case of poles, the cost of removal exceeds the gross salvage because of considerable labor for the removal itself, and the disposal of the poles in an environmentally safe manner. As a result, net salvage for poles is a negative amount. Therefore, when the service value is calculated for poles, the subtraction of this negative amount from the original cost increases the service value. In other words, negative net salvage becomes an additional amount to be depreciated over the life of the asset.

1.03 Thus, the FCC clearly allows the recovery, through depreciation, of the net salvage for an asset at the same time as the recovery of the original investment in that asset. This can be seen in: (1) FCC Part 32, Section 32.2000(g)(2)(ii), (2) the FCC's Report and Order in CC Docket 92-296, released October 20, 1993, par. 99; and (3) all of the FCC's depreciation represcription orders for SWBT.

## **2. Full Recovery of Pole Investment**

2.01 The NPRM suggests (in par. 25,26) that, when the accumulated depreciation reserve reaches 100% of the original investment in poles (i.e., the gross book cost of the poles), the poles have been fully recovered. This is simply not true. The following is the explanation as to why poles have not been fully recovered at the point in time when depreciation reserve equals the original pole investment.

2.02 First, as explained in par. 1.01-1.03, the FCC does allow the recovery of the estimated net salvage throughout the estimated life of an asset.

2.03 Second, the FCC does recognize that poles have a negative net salvage, because of the high cost of removal associated with poles. In fact, as far back as 1951, in SWBT's first depreciation represcription under the Communications Act of 1934, the FCC awarded SWBT negative net salvage for poles. Because net salvage is subtracted from the gross book cost in the depreciation rate formula (see the formulas in par. 1.01), this negative net salvage, therefore, increases the numerator of the formula and results in a depreciation rate that is higher than it would have otherwise been were it only intended to recover the gross book cost of the poles.

2.04 Third, this higher depreciation rate allows the simultaneous recovery of both the gross book cost and the negative net salvage. In other words, depreciation accruals booked monthly in the accumulated depreciation reserve contain some dollars for the recovery of the gross book cost and other dollars for the recovery of the negative net salvage. So, at any point in time, the total dollar level in the accumulated depreciation reserve is not exclusively for the recovery of the gross book cost.

2.05 Therefore, when the accumulated depreciation reserve for poles reaches 100% of the gross book cost of the poles, this gross book cost is not fully recovered. Furthermore, the gross book cost of the poles is not fully recovered until the reserve reaches a level equal to both the gross book cost and the negative net salvage (i.e., the service value of the poles).

2.06 Following is an example illustrating the effects net salvage has on the depreciation process. In this illustration, assume the original book cost of a pole is \$300.00, the cost of removal is \$444.00, gross salvage is

\$30.00, and the useful life is 10 years. The depreciation reserve would be increased by \$71.40 per year  $(\$300.00 + \$444.00 - \$30.00) / 10$ . After only five years, the original book cost minus the depreciation reserve (i.e., the net book cost) would be a negative figure of \$57.00, even though only half (\$150.00) of the original book cost had been recovered.

Original Book Cost	Cost of Removal	Gross Salvage	Service Value	Annual Depr.	Cum. Depr.	Net Book Cost	Cum. Recov. of Book Cost	Cum. Recov. of FNS
A	B	C	D=A+B-C	E=D/10	F	G=A-F	H	I
\$300.00	\$444.00	\$30.00	\$714.00	\$71.40	\$71.40	\$228.60	\$30.00	\$41.40
				\$71.40	\$142.80	\$157.20	\$60.00	\$82.80
				\$71.40	\$214.20	\$85.80	\$90.00	\$124.20
				\$71.40	\$285.60	\$14.40	\$120.00	\$165.60
				\$71.40	\$357.00	-\$57.00	\$150.00	\$207.00
				\$71.40	\$428.40	-\$128.40	\$180.00	\$248.40
				\$71.40	\$499.80	-\$199.80	\$210.00	\$289.80
				\$71.40	\$571.20	-\$271.20	\$240.00	\$331.20
				\$71.40	\$642.60	-\$342.60	\$270.00	\$372.60
				\$71.40	\$714.00	-\$414.00	\$300.00	\$414.00

During year 5 the depreciation reserve account will have accumulated more than the original investment amount (i.e., \$357.00 reserve in column F compared to \$300.00 original cost); however, as shown in column H, all of the original investment will not be recovered until the end of year 10 .

### **3. Appropriate Calculation of Net Book for Pole Attachment Rates**

3.01 As explained in SBC's comments being filed in response to the NPRM, SBC proposes the use of gross book in the appropriate portions of the pole attachment rate formula. However, if the FCC were to favor the continued use of a net book (i.e., original book cost less accumulated depreciation) approach to determining pole attachment rates, the net book calculation as shown in column G of the table should not be made using the entire reserve amount (i.e., column F in the previous table). Instead, this net book calculation should only use the part of the reserve that has been accumulated for the original book cost (i.e., column H in the table). Using the entire reserve amount in column F causes the net book amount to become negative once the entire reserve becomes larger than the original book cost (i.e., see column G for the fifth year in the table).

3.02 Because the accumulated depreciation reserve for poles does contain dollars for both the recovery of the original investment and the recovery of the negative net salvage (as illustrated in the previous table), a method to separate these two components of the reserve is required.

3.03 This separation cannot be obtained from the company's accounting records. The FCC does not require, nor does SWBT use, accounting methods which separate these two components of the accumulated depreciation reserve. Because both components are contained (i.e., combined) in the same depreciation rate prescribed by the FCC, then separate depreciation accruals for each component are neither calculated nor booked in the accumulated depreciation reserve.

3.04 To separate these two components of the book reserve, it is necessary to perform a calculation called a theoretical reserve. Simply stated, the theoretical reserve is that amount of accumulated depreciation reserve which, when added to all future accruals based on current life and net salvage estimates, would fully recover the service value of all existing plant. Said another way, the theoretical reserve is that level of accumulated depreciation reserve which would exist today if all existing plant had been depreciated, from its inception, with the currently-prescribed life and net salvage estimates. The FCC does acknowledge and accept the concept of a theoretical reserve. The FCC's formula for computing the theoretical reserve is contained in its Depreciation Study Guide, page C-1 of the latest version (dated August 1995), a copy of which is attached. This concept and formula also appear in NARUC's Public Utility Depreciation Practices,<sup>1</sup> page 190. SWBT, as well as the other LECs subject to the FCC's depreciation rate represcription, compute and file with the FCC a theoretical reserve calculation on an annual basis.

3.05 The investment component and the net salvage component of the theoretical reserve can be separated, using the same depreciation parameters (i.e., lives and net salvage) and concepts upon which the theoretical reserve calculation is based. This separation can be made by SWBT's mechanized depreciation studies program, called the Depreciation Management System (DMS). One of the outputs of the development of reclassification ratios in DMS is the separation of the two theoretical reserve components, which provides the mathematical basis for the separation of the book reserve into the same two components.

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<sup>1</sup> NARUC, Public Utility Depreciation Practices (1996); all subsequent references to this NARUC text are from the same printing.

3.06 While the DMS calculation of the two theoretical reserve components is currently associated with the development of reclassification ratios, this same calculation was once required by the FCC in connection with its initial application of the remaining life method and the equal life group (ELG) method.<sup>2</sup> In its initial use of ELG in 1982, the FCC stated its intent to prescribe separate "Original Cost and Net Salvage Rates for [ELG]", for "most central office and outside plant accounts", including poles.<sup>3</sup> In SWBT's subsequent depreciation rate represcription (i.e., 1983), the FCC prescribed three separate depreciation rates for each ELG category of plant.<sup>4</sup> These three rates were for (1) the investment recovery for all non-ELG vintages, (2) the investment recovery for all ELG vintages, and (3) the net salvage recovery for all vintages (i.e., non-ELG and ELG vintages combined). In other words, the FCC prescribed separate rates for investment recovery and net salvage recovery for all vintages. The formula for the depreciation rate under the remaining life method is shown in par. 1.01. Since the calculation of the remaining life rate requires the amount of accumulated depreciation reserve associated with that rate, then the booked accumulated depreciation reserve for poles, an ELG category, had to be separated into three components, (1) the investment component for the non-ELG vintages, (2) the investment component for the ELG vintages, and (3) the net salvage component for all vintages. Hence, the DMS calculation described in par. 3.05 is the same as that used in the early 1980s to separate the theoretical reserve into the individual components, and using those relative proportions to separate the booked reserve into those same components.<sup>5</sup>

3.07 Just as was done in the early 1980s, SWBT could again use the investment and net salvage components of the theoretical reserve for poles to prorate the booked reserve amount for poles into the same two components. SWBT's basis for this prorate can also be found in NARUC's Public Utility Depreciation Practices; page 188 states "[t]heoretical reserve studies also have been conducted for the purpose of allocating an existing [book] reserve ..." Therefore, it is reasonable to use the two theoretical reserve components to prorate the book reserve.

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<sup>2</sup> These new methods were approved by the FCC's Report and Order (FCC 80-50), Docket No. 20188, adopted November 6, 1980.

<sup>3</sup> FCC Order (FCC 82-542), adopted December 8, 1982, par. 42-43; this order covered the LECs which underwent depreciation rate represcription in 1982.

<sup>4</sup> FCC Order (FCC 83-587), adopted December 14, 1983.

<sup>5</sup> This calculation was originally performed in 1983 by SWBT's depreciation studies computer program called Depreciation Studies Computer System (DSCS); the same calculation is in DMS, which is the current replacement for DSCS.



3.08 The manner in which the theoretical reserve is separated into the two components can be seen most easily by starting with the FCC's latest Study Guide (page C-1):

$$TR\% = (100\% - FNS\%) - ((100\% - ANS\%) \times \frac{ARL}{ASL})$$

where (1) TR% is the theoretical reserve expressed as a percent of gross book cost, (2) FNS% is the future net salvage expressed as a percent of gross book cost, (3) ANS% is the average net salvage expressed as a percent of gross book cost, (4) ARL is the average remaining life, and (5) ASL is the average service life.

3.09 Rearranging the formula,

$$TR\% = (100\% - 100\% \times \frac{ARL}{ASL}) + (ANS\% \times \frac{ARL}{ASL} - FNS\%), \text{ or}$$

$$TR\% = (\text{investment component}) + (\text{net salvage component})$$

3.10 Using this method of separating the investment and net salvage components, only the portion of the accumulated depreciation reserve associated with the recovery of the pole investment (rather than the entire booked reserve amount) is subtracted from the gross book cost to arrive at the net cost of a bare pole. Said another way, one does not subtract, from the gross book cost, that portion of the accumulated depreciation reserve associated with the recovery of the net salvage for poles.

Example:

3.11 To better understand this procedure, let's look at an example.

Present Formula:

3.12 The FCC's current formula for the net cost of a bare pole is as follows:

Gross Book Cost - Accum. Depr. - Accum. Def. Inc. Taxes - 5% of Net Book Cost

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Number of Poles

3.13 Assume (1) the gross book cost of a pole is \$100, (2) the future net salvage for the pole is -\$100, and (3) the accumulated depreciation reserve is \$120. Also assume, for simplicity, that the accumulated deferred income taxes are \$0.

3.14 Based upon the current formula, the net cost of a bare pole would be as follows:

$$\frac{\$100 - \$120 - \$0 - 5\% (\$100 - \$120)}{1} = - \$19$$

3.15 As explained in par. 2.01-2.06, the gross book cost of the pole in this example is not yet fully recovered, even though the accumulated depreciation reserve is larger than the gross book cost of the pole. Thus, it is neither appropriate nor reasonable for SWBT to charge a pole attachment rate based upon a negative net cost for a bare pole, when the pole has not even been fully recovered by SWBT.

Revised Formula:

3.16 Under the revised net book calculation, the accumulated depreciation reserve is broken into its two component parts, the part that is associated with the recovery of the gross book cost, and the part that is associated with the recovery of the future net salvage (see par. 3.01-3.10). Only the part associated with the gross book cost (i.e., investment) is used in the net pole cost formula. Assume in this example that each part is \$60.

3.17 Based upon the revised formula , the net cost of a bare pole would be as follows:

$$\frac{\$100 - \$60 - \$0 - 5\%(\$100 - \$60)}{1} = + \$38$$

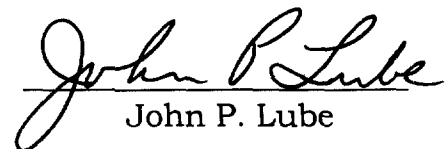
3.18 These examples clearly show that the depreciation reserve for poles includes both the recovery of original investment and future negative net salvage. Therefore, the net book cost for poles doesn't reflect the true amount of original investment recovered through the depreciation process unless the future net salvage portion is removed from the depreciation reserve. Removing the future net salvage part of the reserve eliminates its distortion of the pole attachment rate formula.

#### **4. Incomplete Application of New Pole Attachment Rates in All of SWBT's States**

4.01 The NPRM proposes that the correction of the pole attachment rate formula would be limited to those states where the FCC's present formula produces negative net cost of a bare pole. This approach would ignore the real problem with the present pole attachment formula, which treats future net salvage as original investment. Treating future net salvage as though it were original investment is not in keeping with long-standing FCC depreciation rules and procedures. As I have pointed out in sections 1 & 2, original investment and future net salvage are recovered at the same time over the life of the asset. It should be emphasized that the problem is not with the FCC's depreciation rules and procedures but rather with the existing pole attachment formula only.

4.02 Regardless of which state's pole attachment rates are being computed, the pole attachment formula consistently should be based on the gross book method for that part of the rate attributable to administrative, maintenance, and depreciation expenses, and should be based on unadjusted net book for tax and return. This method eliminates the problem caused by future net salvage being in the pole depreciation reserve and the fact that future net salvage calculations, if used, would probably be disputed by attaching parties.

The facts set forth above are true and correct to the best of my knowledge, information and belief.

  
John P. Lube

6-18-97  
Date

## THEORETICAL RESERVE STUDY - ANNUAL SUBMISSIONS

The Theoretical Reserve Study is required each year by all companies.

An updated Statement C reflecting January 1st Investment and Reserve data, based on prescribed parameters, must be submitted to the Depreciation Branch by July 1st each year by all companies. The AYFR should be adjusted as shown in Attachment I. This study is required to enable the staff to track the adequacy of the depreciation reserves on a timely basis.

**The Theoretical Reserve Study is due July 1 each year.**

The Customer Premises Wiring Account 2321 (Station Connections) must be included on this report. In addition, a hard copy and two electronic data files are to be submitted in **Lotus 123 Format**. No other formats are acceptable.

**Also provide separate analysis showing a reconciliation between the ARMIS/Form M and the Grand Total Investment and Book Reserve.**

The Theoretical Reserve is developed on Statement C and is calculated on a rate category basis using the following theoretical reserve formula:

$$\text{TR\%} = (100\% - \text{FNS\%}) - ((100\% - \text{ANS\%}) \times \text{ARL} / \text{ASL})$$

**Where:**

FNS =	the prescribed future net salvage %
ANS =	average net salvage calculated using historical salvage, the prescribed future net salvage and current investment
ARL =	account/rate category average remaining life calculated using 1/1 investment and prescribed projection lives and curve shape
ASL =	account/rate category average service life calculated on the same basis as the ARL above

Provide a hard copy of Statement C by jurisdiction. The Statement C provided electronically and the hard copy Statement C must match.

## COMPARISON OF METHODS OF CALCULATING POLE ATTACHMENT RATES

The NPRM discusses the following three methods of calculating pole attachment rates:

- (1) the existing formula, using net book costs that are calculated using a depreciation reserve that includes negative future net salvage (the "net book unadjusted" method);
- (2) the formula proposed in ¶¶ 23-28 of the NPRM, using net book costs after an adjustment to remove the future net salvage (the "net book adjusted" method); and
- (3) the alternative proposal to use gross book costs (NPRM ¶ 29).

This Exhibit provides a comparison of the calculation of pole attachment rates in some of SBC's states using each of these three methods.

### **Net Book Unadjusted Method**

This calculation, shown in the first column, uses the existing formula as set forth in Appendix A of the NPRM.

### **Net Book Adjusted Method**

The only difference between this calculation, shown in the second column, and the Net Book Unadjusted Method is that future net salvage has been removed from the depreciation reserve used to calculate the net pole investment. This adjustment to the depreciation reserve is determined using the "Theoretical to Book Reserve Allocation Factor" data which is part of the depreciation study data, as explained in Exhibit "A". However, for the reasons explained in the Comments, the tax and return carrying charges continue to use net book costs, which have not been adjusted to exclude the future net salvage. Further, the tax component is not modified to treat income tax separately as discussed in ¶ 27 of the NPRM.

### **Gross Book Method**

This calculation, shown in the third column, uses gross book costs ("Gross pole inv.") to calculate the administrative, maintenance and depreciation carrying charges. Gross book costs are the actual gross investment in poles, without netting the depreciation reserve. As in the case of the Net Book Adjusted Method, the tax and return carrying charges continue to use net book costs, which have not been adjusted to exclude the future net salvage.

ARKANSAS 1995 DATA

	NET BOOK UN-ADJ	NET BOOK ADJ.	GROSS BOOK FOR ALL BUT TAX & RETURN UN-ADJ NET
A1 DEPR. EXP. CALCULATION			
A2 GROSS POLE INV.	24,303,498	24,303,498	24,303,498
A3 NET POLE INV.	4,880,548	13,665,815	
A4 RATIO NET TO GROSS (A2/A3)	4.98	1.78	
A5 POLE DEPR. RATE	6.20%	6.20%	6.20%
A6 POLE DEPR. EXP. % (A4*A5)	30.87%	11.03%	
A7 NET COST OF A BARE POLE	3.18	8.90	15.04
A8 POLE DEPR. EXP. \$ (A6*A7)	0.98	0.98	0.93
B1 ADMIN. EXP. CALCULATION			
B2 TOTAL ADMIN. EXP.	111,328,597	111,328,597	111,328,597
B3 NET/GROSS PLANT INVESTMENT	871,069,147	871,069,147	1,811,229,000
B4 ADMIN. EXPENSE % (B2/B3)	12.78%	12.78%	6.15%
B5 NET COST OF A BARE POLE	3.18	8.90	15.04
B6 ADMIN. EXPENSE \$ (B4*B5)	0.41	1.14	0.92
C1 MAINT. EXP. CALCULATION			
C2 POLE MAINT. EXP. LESS RENT	154,722	154,722	154,722
C3 POLE NET/GROSS BOOK COST	4,880,548	13,665,815	24,303,498
C4 MAINT. EXP. % (C2/C3)	3.17%	1.13%	0.64%
C5 NET COST OF A BARE POLE	3.18	8.90	15.04
C6 MAINT. EXP. \$ (C4*C5)	0.10	0.10	0.10
D1 TAX EXP. CALCULATION			
D2 TOTAL OPERATING TAX	50,974,912	50,974,912	50,974,912
D3 NET/GROSS PLANT INVESTMENT	871,069,147	871,069,147	871,069,147
D4 TAX EXP. % (D2/D3)	5.85%	5.85%	5.85%
D5 NET COST OF A BARE POLE	3.18	3.18	3.18
D6 TAX EXP. \$ (D4*D5)	0.19	0.19	0.19
E1 RETURN			
E2 RETURN %	11.25%	11.25%	11.25%
E3 NET COST OF A BARE POLE	3.18	3.18	3.18
E4 RETURN \$ (E2*E3)	0.36	0.36	0.36
F1 POLE ATTACHMENT RATE			
F2 DEPR. EXP. \$ (A8)	0.98	0.98	0.93
F3 ADMIN. EXP. \$ (B6)	0.41	1.14	0.92
F4 MAINT. EXP. \$ (C6)	0.10	0.10	0.10
F5 TAX EXP. \$ (D6)	0.19	0.19	0.19
F6 RETURN \$ (E4)	0.36	0.36	0.36
F7 TOTAL ATTACHMENT RATE	2.03	2.76	2.50

**KANSAS 1995 DATA**

	NET BOOK UN-ADJ	NET BOOK ADJ.	GROSS BOOK FOR ALL BUT TAX & RETURN UN-ADJ NET
A1 DEPR. EXP. CALCULATION			
A2 GROSS POLE INV.	21,565,232	21,565,232	21,565,232
A3 NET POLE INV.	(486,856)	11,343,959	
A4 RATIO NET TO GROSS (A2/A3)	(44.29)	1.90	
A5 POLE DEPR. RATE	8.00%	8.00%	8.00%
A6 POLE DEPR. EXP. % (A4*A5)	-354.36%	15.21%	
A7 NET COST OF A BARE POLE	(0.28)	6.45	11.65
A8 POLE DEPR. EXP. \$ (A6*A7)	0.98	0.98	0.93
B1 ADMIN. EXP. CALCULATION			
B2 TOTAL ADMIN. EXP.	148,566,250	148,566,250	148,566,250
B3 NET/GROSS PLANT INVESTMENT	1,024,995,891	1,024,995,891	2,139,062,000
B4 ADMIN. EXPENSE % (B2/B3)	14.49%	14.49%	6.95%
B5 NET COST OF A BARE POLE	(0.28)	6.45	11.65
B6 ADMIN. EXPENSE \$ (B4*B5)	(0.04)	0.94	0.81
C1 MAINT. EXP. CALCULATION			
C2 POLE MAINT. EXP. LESS RENT	299,959	299,959	299,959
C3 POLE NET/GROSS BOOK COST	(486,856)	11,343,959	21,565,232
C4 MAINT. EXP. % (C2/C3)	-61.61%	2.64%	1.39%
C5 NET COST OF A BARE POLE	(0.28)	6.45	11.65
C6 MAINT. EXP. \$ (C4*C5)	0.17	0.17	0.16
D1 TAX EXP. CALCULATION			
D2 TOTAL OPERATING TAX	102,690,413	102,690,413	102,690,413
D3 NET PLANT INVESTMENT	1,024,995,891	1,024,995,891	1,024,995,891
D4 TAX EXP. % (D2/D3)	10.02%	10.02%	10.02%
D5 NET COST OF A BARE POLE	(0.28)	(0.28)	(0.28)
D6 TAX EXP. \$ (D4*D5)	(0.03)	(0.03)	(0.03)
E1 RETURN			
E2 RETURN %	11.25%	11.25%	11.25%
E3 NET COST OF A BARE POLE	(0.28)	(0.28)	(0.28)
E4 RETURN \$ (E2*E3)	(0.03)	(0.03)	(0.03)
F1 POLE ATTACHMENT RATE			
F2 DEPR. EXP. \$ (A8)	0.98	0.98	0.93
F3 ADMIN. EXP. \$ (B6)	(0.04)	0.94	0.81
F4 MAINT. EXP. \$ (C6)	0.17	0.17	0.16
F5 TAX EXP. \$ (D6)	(0.03)	(0.03)	(0.03)
F6 RETURN \$ (E4)	(0.03)	(0.03)	(0.03)
F7 TOTAL ATTACHMENT RATE	1.05	2.03	1.84

OKLAHOMA 1995 DATA

		GROSS BOOK FOR ALL BUT TAX & RETURN	
		NET BOOK UN-ADJ	NET BOOK ADJ.
		UN-ADJ NET	
A1	DEPR. EXP. CALCULATION		
A2	GROSS POLE INV.	28,060,195	28,060,195
A3	NET POLE INV.	(4,546,875)	16,989,600
A4	RATIO NET TO GROSS (A2/A3)	(6.17)	1.65
A5	POLE DEPR. RATE	10.20%	10.20%
A6	POLE DEPR. EXP. % (A4*A5)	-62.95%	16.85%
A7	NET COST OF A BARE POLE	(1.58)	5.90
A8	POLE DEPR. EXP. \$ (A6*A7)	0.99	0.99
B1	ADMIN. EXP. CALCULATION		
B2	TOTAL ADMIN. EXP.	184,886,634	184,886,634
B3	NET/GROSS PLANT INVESTMENT	1,210,362,834	1,210,362,834
B4	ADMIN. EXPENSE % (B2/B3)	15.28%	15.28%
B5	NET COST OF A BARE POLE	(1.58)	5.90
B6	ADMIN. EXPENSE \$ (B4*B5)	(0.24)	0.90
C1	MAINT. EXP. CALCULATION		
C2	POLE MAINT. EXP. LESS RENT	512,709	512,709
C3	POLE NET/GROSS BOOK COST	(4,546,875)	16,989,600
C4	MAINT. EXP. % (C2/C3)	-11.28%	3.02%
C5	NET COST OF A BARE POLE	(1.58)	5.90
C6	MAINT. EXP. \$ (C4*C5)	0.18	0.18
D1	TAX EXP. CALCULATION		
D2	TOTAL OPERATING TAX	77,251,755	77,251,755
D3	NET PLANT INVESTMENT	1,210,362,834	1,210,362,834
D4	TAX EXP. % (D2/D3)	6.38%	6.38%
D5	NET COST OF A BARE POLE	(1.58)	(1.58)
D6	TAX EXP. \$ (D4*D5)	(0.10)	(0.10)
E1	RETURN		
E2	RETURN %	11.25%	11.25%
E3	NET COST OF A BARE POLE	(1.58)	(1.58)
E4	RETURN \$ (E2*E3)	(0.18)	(0.18)
F1	POLE ATTACHMENT RATE		
F2	DEPR. EXP. \$ (A8)	0.99	0.99
F3	ADMIN. EXP. \$ (B6)	(0.24)	0.90
F4	MAINT. EXP. \$ (C6)	0.18	0.18
F5	TAX EXP. \$ (D6)	(0.10)	(0.10)
F6	RETURN \$ (E4)	(0.18)	(0.18)
F7	TOTAL ATTACHMENT RATE	0.65	1.79



MISSOURI 1995 DATA

	NET BOOK UN-ADJ	NET BOOK ADJ.	GROSS BOOK FOR ALL BUT TAX & RETURN UN-ADJ NET
A1 DEPR. EXP. CALCULATION			
A2 GROSS POLE INV.	65,271,293	65,271,293	65,271,293
A3 NET POLE INV.	13,942,399	43,050,101	
A4 RATIO NET TO GROSS (A2/A3)	4.68	1.52	
A5 POLE DEPR. RATE	6.90%	6.90%	6.90%
A6 POLE DEPR. EXP. % (A4*A5)	32.30%	10.46%	
A7 NET COST OF A BARE POLE	3.24	10.01	14.41
A8 POLE DEPR. EXP. \$ (A6*A7)	1.05	1.05	0.99
B1 ADMIN. EXP. CALCULATION			
B2 TOTAL ADMIN. EXP.	183,089,901	183,089,901	183,089,901
B3 NET/GROSS PLANT INVESTMENT	2,468,682,941	2,468,682,941	4,789,972,000
B4 ADMIN. EXPENSE % (B2/B3)	7.42%	7.42%	3.82%
B5 NET COST OF A BARE POLE	3.24	10.01	14.41
B6 ADMIN. EXPENSE \$ (B4*B5)	0.24	0.74	0.55
C1 MAINT. EXP. CALCULATION			
C2 POLE MAINT. EXP. LESS RENT	762,973	762,973	762,973
C3 POLE NET/GROSS BOOK COST	13,942,399	43,050,101	65,271,293
C4 MAINT. EXP. % (C2/C3)	5.47%	1.77%	1.17%
C5 NET COST OF A BARE POLE	3.24	10.01	14.41
C6 MAINT. EXP. \$ (C4*C5)	0.18	0.18	0.17
D1 TAX EXP. CALCULATION			
D2 TOTAL OPERATING TAX	191,473,487	191,473,487	191,473,487
D3 NET PLANT INVESTMENT	2,468,682,941	2,468,682,941	2,468,682,941
D4 TAX EXP. % (D2/D3)	7.76%	7.76%	7.76%
D5 NET COST OF A BARE POLE	3.24	3.24	3.24
D6 TAX EXP. \$ (D4*D5)	0.25	0.25	0.25
E1 RETURN			
E2 RETURN %	11.25%	11.25%	11.25%
E3 NET COST OF A BARE POLE	3.24	3.24	3.24
E4 RETURN \$ (E2*E3)	0.36	0.36	0.36
F1 POLE ATTACHMENT RATE			
F2 DEPR. EXP. \$ (A8)	1.05	1.05	0.99
F3 ADMIN. EXP. \$ (B6)	0.24	0.74	0.55
F4 MAINT. EXP. \$ (C6)	0.18	0.18	0.17
F5 TAX EXP. \$ (D6)	0.25	0.25	0.25
F6 RETURN \$ (E4)	0.36	0.36	0.36
F7 TOTAL ATTACHMENT RATE	2.08	2.58	2.33

<u>TEXAS 1995 DATA</u>		GROSS BOOK FOR ALL BUT TAX & RETURN	
	NET BOOK UN-ADJ	NET BOOK ADJ.	UN-ADJ NET
A1 DEPR. EXP. CALCULATION			
A2 GROSS POLE INV.	188,379,946	188,379,946	188,379,946
A3 NET POLE INV.	41,225,415	127,686,223	
A4 RATIO NET TO GROSS (A2/A3)	4.57	1.48	
A5 POLE DEPR. RATE	11.90%	11.90%	11.90%
A6 POLE DEPR. EXP. % (A4*A5)	54.38%	17.56%	
A7 NET COST OF A BARE POLE	3.38	10.47	14.68
A8 POLE DEPR. EXP. \$ (A6*A7)	1.84	1.84	1.75
B1 ADMIN. EXP. CALCULATION			
B2 TOTAL ADMIN. EXP.	898,942,944	898,942,944	898,942,944
B3 NET/GROSS PLANT INVESTMENT	7,181,400,179	7,181,400,179	16,135,544,000
B4 ADMIN. EXPENSE % (B2/B3)	12.52%	12.52%	5.57%
B5 NET COST OF A BARE POLE	3.38	10.47	14.68
B6 ADMIN. EXPENSE \$ (B4*B5)	0.42	1.31	0.82
C1 MAINT. EXP. CALCULATION			
C2 POLE MAINT. EXP. LESS RENT	1,496,636	1,496,636	1,496,636
C3 POLE NET/GROSS BOOK COST	41,225,415	127,686,223	188,379,946
C4 MAINT. EXP. % (C2/C3)	3.63%	1.17%	0.79%
C5 NET COST OF A BARE POLE	3.38	10.47	14.68
C6 MAINT. EXP. \$ (C4*C5)	0.12	0.12	0.12
D1 TAX EXP. CALCULATION			
D2 TOTAL OPERATING TAX	655,106,056	655,106,056	655,106,056
D3 NET PLANT INVESTMENT	7,181,400,179	7,181,400,179	7,181,400,179
D4 TAX EXP. % (D2/D3)	9.12%	9.12%	9.12%
D5 NET COST OF A BARE POLE	3.38	3.38	3.38
D6 TAX EXP. \$ (D4*D5)	0.31	0.31	0.31
E1 RETURN			
E2 RETURN %	11.25%	11.25%	11.25%
E3 NET COST OF A BARE POLE	3.38	3.38	3.38
E4 RETURN \$ (E2*E3)	0.38	0.38	0.38
F1 POLE ATTACHMENT RATE			
F2 DEPR. EXP. \$ (A8)	1.84	1.84	1.75
F3 ADMIN. EXP. \$ (B6)	0.42	1.31	0.82
F4 MAINT. EXP. \$ (C6)	0.12	0.12	0.12
F5 TAX EXP. \$ (D6)	0.31	0.31	0.31
F6 RETURN \$ (E4)	0.38	0.38	0.38
F7 TOTAL ATTACHMENT RATE	3.07	3.96	3.37

**EXHIBIT "C"    -- Rule Changes**

§ 1.1404 Complaint

\* \* \* \* \*

(d) The complaint shall be accompanied by a copy of the pole attachment agreement, if any, between the cable system operator or telecommunications carrier and the utility. If there is no present pole attachment agreement, the complaint shall contain:

(1) A statement that the utility uses or controls poles, ducts, or conduits used or designated, in whole or in part, for wire communication; and

(2) A statement that the cable television system operator or telecommunications carrier currently has attachments on the poles, ducts, conduits, or rights-of-way.

If there is a pole attachment agreement, the complaint shall describe the extent to which the agreement applies to the attachments in dispute.

(e) The complaint shall state with specificity the pole attachment rate, term or condition which is claimed to be unjust or unreasonable.

(f) In any case, where it is claimed that a term or condition is unjust or unreasonable, the claim shall specify all information and argument relied upon to justify said claim.

(g) In a case where it is claimed that either a rate is unjust or unreasonable, or a term or condition is unjust or unreasonable and examination of such term or condition requires review of the associated rate, the complaint shall provide data and information in support of said claim. The data and information shall include, where applicable:

(1) The gross investment by the utility for pole lines;

(2) The investment in crossarms and other items which do not reflect the cost of owning and maintaining poles, if available;

(3) The depreciation reserve from the gross pole line investment;

(4) The depreciation reserve from the investment in crossarms and other items which do not reflect the cost of owning and maintaining poles, if available;

(5) The total number of poles: (i) Owned; and (ii) controlled or used by the utility.

If any of these poles are jointly owned, the complaint shall specify the number of such jointly owned poles and the percentage of each joint pole or the number of equivalent poles owned by the subject utility;

(6) The total number of poles which are the subject of the complaint;

(7) The number of poles included in paragraph (g)(6) of this section that are controlled or used by the utility through lease between the utility and other owner(s), and the amounts paid by the utility for such rental;

(8) The number of poles included in paragraph (g)(6) of this section that are owned by the utility and that are leased to other users by the utility, and the annual amounts paid to the utility for such rental;

(9) The annual administrative, maintenance and depreciation carrying charges attributable to the gross cost of owning a pole and the annual tax and return carrying charges attributable to the net cost of owning a pole. These charges may be expressed as a percentage of the applicable net pole investment figure (i.e., net or gross). With its pleading, the utility shall file a copy of the latest decision of the state regulatory body or state court and/or any reports filed with the state and/or internal company reports which determined the treatment of accumulated deferred taxes if it is at issue in the proceeding and shall note the section which specifically determines show the treatment and amount of accumulated deferred taxes for poles.

~~(10) The rate of return authorized for the utility for intrastate service. With its pleading, the utility shall file a copy of the latest decision of the state regulatory body or state court which establishes this authorized rate of return if the rate of return is at issue in the proceeding and shall note the section which specifically establishes this authorized rate and whether the decision is subject to further proceedings before the state regulatory body or a court;~~

~~(1011)~~ The average amount of usable space per pole for those poles used for pole attachments (10.2 ~~13.5~~ feet may be in lieu of actual measurement, but may be rebutted);

~~(1112)~~ Reimbursement received from CATV operators for non-recurring costs; and

Data and information should be based upon historical or original cost methodology, insofar as possible. Data should be derived from ARMIS Form M, FERC 1, or other reports filed with state or Federal regulatory agencies (identify source).

Calculations made in connection with these figures should be provided to the complainant. The complainant shall also specify any other information and argument relied upon to attempt to establish that a rate, term, or condition is not just and reasonable.

(12) Where the attachments involve ducts, conduits, or rights of way, in whole or in part, appropriate and equivalent data and information should be filed. In particular, the complaint shall provide the following data and information concerning ducts or conduit: (i) the total duct kilometers and trench kilometers in the respondent's conduit system in the state; (ii) the average number of ducts in the conduit system; (iii) the average number of ducts reserved for maintenance and municipal purposes; (iv) a detailed description of the space occupied by complainant's cables, including, but not limited to, the total number of feet of duct occupied by complainant's cables, the number of feet of duct occupied by complainant's cables which is placed in inner duct and that which is not placed in inner duct.

(h) If any of the information required in paragraph (g) of this section is not provided to the cable television operator by the utility upon reasonable request, the cable television operator shall include a statement indicating the steps taken to obtain information from the utility, including the dates of all requests. No complaint filed by a cable television operator shall be dismissed where the utility has failed to provide the information in paragraph (g) of this section after such reasonable request. A utility should supply a cable television system operator the information required in paragraph (g) of this section, along with the supporting pages from its FERC Form 1, FCC Form M ARMIS Report, or other report to a regulatory body, within 30 days of the request by the cable operator. (The cable operator, in turn, shall submit these pages with its complaint). If the utility did not supply these pages to the cable operator in response to the information request, it shall supply this information in its response to the complaint.

(i) The complaint shall include a brief summary of all steps taken to resolve the problem prior to filing. If no such steps were taken, the complaint shall state the reason(s) why it believed such steps were fruitless.

(j) Factual allegations shall be supported by affidavit of a person or persons with actual knowledge of the facts, and exhibits shall be verified by the person who prepares them.

§1.1409. Commission Consideration of the Complaint

\* \* \* \* \*

(f) A strong presumption will apply that pole attachment rates are just and reasonable where the complainant has been paying the same or a higher rate for a period of at least twelve months. A strong presumption also will apply that such rates are just and reasonable unless the total number of poles that are the subject of the complaint constitute at least \_\_\_\_ poles or \_\_\_\_ % of the respondent utility's total number of poles in the state.

**Certificate of Service**

I, Elaine Temper, hereby certify that the comments of SBC Communications, Inc. on CS Docket No. 97-98 has been served this 27<sup>th</sup> day of June, 1997 to the Parties of Record.

A handwritten signature in cursive script, reading "Elaine Temper", is written over a horizontal line.

Elaine Temper

June 27, 1997

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FEDERAL COMMUNICATIONS COMMISSION  
CABLE SERVICE BUREAU  
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